2

3

6

7

10

11

13

14

15

16

17

18

19

20

21

22

23

24

26

27

28

Recitals

On October 28, 2020, Debtor filed a voluntary petition for bankruptcy under Chapter A. 11 of Title 11 of the United States Code, initiating the above-captioned bankruptcy case. Codding was the managing member of Debtor. Codding is also the managing member of Fluid Wine Fund I, LLC, a Nevada limited liability company ("FWF"), which is the 100% shareholder of Rabbit Ridge Wine Sales, Inc. ("Rabbit Ridge").

- B. On March 22, 2021, Farm Credit West, FCLA ("FCW") filed a proof of claim, which was assigned claim number 4-1. FCW's proof of claim was filed as secured claim in the amount of \$19,760,789.62. Attached to the proof of claim was a UCC-1 financing statement and continuation statements, identifying the collateral as "All now existing and after acquired goods, farm products, inventory, bulk and cased wine inventory, accounts, accounts receivable, documents, payable intangibles, chattel paper, and general intangibles, trademarks, together with all crops, growing or to be grown on that certain real property..."
- C. Prior to the Conversion Date, Codding entered into an oral contract with Nevarez Farm Labor ("Nevarez") to provide farm labor services at Debtor's properties. Nevarez contends that the services performed at Codding's request were not paid in full.
- D. On June 15, 2021 ("Conversion Date"), the case was converted to Chapter 7. Richard A. Marshack was appointed as the Chapter 7 trustee of the converted case.
- E. On August 9, 2021, as Dk. No. 184, a stipulation ("Turnover Stipulation") signed by Trustee and Codding (on behalf of Rabbit Ridge) was filed, where Codding, on behalf of Rabbit Ridge, agreed to entry of an order for turnover of real property commonly known as 1172 San Marcos Road ("San Marcos Property"), and adjacent real property APN No. 027-145-022 ("Texas Road Property").
- Also on August 9, 2021, as Dk. No. 186, Trustee filed a motion to authorize operations of on Estate properties for the limited purpose of growing, cultivating, and harvesting grapes for the Fall 2021 period ("Operate Motion"). Attached to the Operate Motion was a declaration by Codding, signed by Codding, and also a farm operator agreement ("Farm Agreement") signed by Trustee and Codding. The Farm Agreement was jointly drafted by Trustee

3

5

6

7 8

9

10

11 12

13

14 15

16

17

18

19 20

21

22 23

24

25

26 27

28

and Codding. In connection with the Operate Motion, Trustee negotiated a stipulated agreement to use cash collateral with FCW, which was read into the record at the hearing on the Operate Motion.

- G. On August 23, 2021, as Dk. No. 196, the Court entered an order approving the Turnover Stipulation ("Turnover Order").
- On September 7, 2021, as Dk. No. 211, the Court entered an order approving the H. Operate Motion and the Farm Agreement ("Operate Order"). The Operate Order provided, inter alia: "The Trustee is authorized to operate the Debtor's business through Leroy Codding for the limited purpose of completing the Fall 2021 harvest pursuant to 11 U.S.C. § 721 to the extent necessary to complete the Fall 2021 harvest, with such authorization to terminate at the earliest of: (a) the completion of the fall 2021 harvest; or (b) October 31, 2021" and "The proceeds of all agricultural products ('Crop') grown on [Estate properties] shall be paid directly to the Estate and the Trustee is authorized to receive and hold all gross
- I. Under the Operate Order, Codding was authorized to operate a farming business on the San Marcos Property, Texas Road Property, and a third parcel commonly known as 2380 Live Oak Road, Paso Robles, CA ("Live Oak Property" and together with the other two properties, the "Properties").

proceeds of the sale of any Crop from the Properties to be disbursed as stated below

without further order of the Court."

- J. In September 2021, Codding entered into an oral contract with Azcona Harvesting LLC, Emerald Valley Labor, and SoMoCo Labor Supply (collectively, "Harvesters") to provide farm labor at the Properties and assist with harvesting grapes.
- K. Codding informed Harvesters that the work should be invoiced to Fluid Wine Fund I. LLC, a limited liability company owned by Codding. Harvesters contend that their invoices have not been paid.
- Between August 26, 2021 and November 24, 2021, Rabbit Ridge directly received L. funds from the sale of grapes grown on and harvested from the Properties in 2021, as follows:

Date	Customer	Amount
8/26/2021	Nicora Wine	\$20,000
8/26/2021	Nicora Wine	\$20,000
8/26/2021	Nicora Wine	\$4,000
9/10/2021	Cathartes Aura LLC dba Anarchy Wine Company	\$30,000

7

1314

1516

17

18 19

20

22

21

2324

2526

27

9/22/2021	Pali Wine	\$27,471.90
9/30/2021	Graveyard Vineyards	\$3,285
10/22/2021	Pali Wine	\$3,877.52
10/22/2021	Sycamore Ranch Vineyard & Winery LLC	\$2,250
10/26/2021	O'Neill Beverages Co. LLC dba O'Neill Vintners & Distillers	\$22,297.89
11/23/2021	Adelaida Springs Ranch/Rangeland Wines	\$7,752
	TOTAL	\$140,931.91

- M. The funds listed in the table above were received directly by Rabbit Ridge pursuant to instructions given by Codding. Trustee never provided any authorization to Codding or Rabbit Ridge to directly receive any funds from farming operations.
- N. On December 9, 2021, Trustee sent his agent Lori Ensley to the Properties to assist with securing the Properties. On that date, employees of Rabbit Ridge were working inside the San Marcos Property and using winery equipment. The Rabbit Ridge employees were working in the San Marcos Property at Codding's direction.
- O. Trustee contends that the actions taken by Codding violated the Operate Order, the Turnover Order, and the automatic stay of 11 U.S.C. § 362(a)(3).
- P. On April 1, 2022, as Dk. No. 304, Trustee filed a motion for issuance of an order to show cause re: civil contempt ("OSC Motion").
 - Q. On July 1, 2022, as Dk. No. 350, Codding filed an opposition to the OSC Motion.
- R. On October 26, 2022, as Dk. No. 359, the Court entered an order to show cause against Codding ("OSC"), setting an evidentiary hearing for February 16, 2023.
- S. On December 8, 2022, as Dk. No. 365, Codding's counsel Goe Forsythe & Hodges LLP ("GFH") filed a motion to withdraw as counsel ("Withdrawal Motion").
- T. On January 3, 2023, as Dk. No. 373, the Court entered an order continuing the hearing on the OSC to April 20, 2023.
- U. On January 4, 2023, as Dk. No. 375, the Court entered an order granting the Withdrawal Motion.
 - V. On March 20, 2023, as Dk. No. 380, the Court entered an order further continuing the

2

3

5

6

7

10

11

13

15

16

17

18

19

20

21

23

26

27

28

evidentiary hearing to May 11, 2023.

W. On May 11, 2023, the Court conducted a hearing on the OSC, and testimony of witnesses was presented both in person and over ZoomGov. At the conclusion of the hearing, the Parties entered into stipulated terms to resolve the OSC, which were read into the record. This Stipulation serves to supplement the stipulated terms stated on the record.

WHEREFORE, the Parties agree as follows:

- Codding, in his individual capacity and in his capacity as managing member of FWF, 1. and chief executive officer of Rabbit Ridge, stipulates that Leroy E. Codding, IV, Fluid Wine Fund I, LLC, and Rabbit Ridge Wine Sales, Inc. have joint and several liability for payment of \$140,000 to the Bankruptcy Estate of Northern Holding, LLC.
- 2. Codding, in his individual capacity and in his capacity as managing member of FWF, and chief executive officer of Rabbit Ridge, waives all rights of reimbursement from the Estate, all claims for a distribution of any kind from the Estate, and all claims for payment from the Estate. Codding, in his individual capacity and in his capacity as managing member of FWF, and chief executive officer of Rabbit Ridge, waives all claims against the Trustee and Trustee's professionals of any kind. This waiver includes but is not limited to a waiver of all rights to recover any operating expenses for the Properties either as an administrative expense under 11 U.S.C. § 503, a waiver of all rights of reimbursement under the Farm Agreement, and a waiver of all claims for actual, consequential, or punitive damages that can be asserted against the Estate for any reason.
- 3. No later than 11:59 p.m. Pacific Prevailing Time on Wednesday, May 17, 2023, Codding shall provide to Trustee a full and complete list of any and all vendors, contractors, and invoices which have not been paid in full for any work solely for maintaining and harvesting grapes from the Properties from August 1, 2021 through November 1, 2021 ("Operating Period"), and shall provide contact information for each vendor, contractor, and invoice, and a copy of such invoice. Codding understands that if vendors, contractors, or invoices are included which DO NOT arise from farming operations for the Operating Period (but are instead for, e.g., wine processing, marketing, or handling of non-Estate property), this may serve as the basis for a separate contempt proceeding. No later than May 22, 2023, Trustee shall file a declaration regarding Codding's

5

6

7

8

9

10

11

13

14

15

16

17

18

19

20

21

23

25

26

27

- compliance with this paragraph. If Codding has not provided a list of vendors, contractors, and invoices, the Court shall enter an order adjudicating Codding in civil contempt and consider the imposition of appropriate compensatory and coercive sanctions, including the award of compensatory damages including reasonable attorneys' fees, or civil incarceration to coerce Codding to comply with the Court's orders.
- 4. If \$100,000 is received by the Estate on behalf of Codding, FWF, or Rabbit Ridge by 11:59 p.m. Pacific Prevailing Time on June 1, 2023, either in the form of certified funds or verified funds, the remaining balance owed to the Estate shall be waived.
- 5. If \$140,000 is not received by the Estate by 11:59 p.m. Pacific Prevailing Time on June 14, 2023, either in the form of certified funds or verified funds, the Court shall enter an order adjudicating Codding in civil contempt and consider the imposition of appropriate compensatory and coercive sanctions, including the award of compensatory damages including reasonable attorneys' fees, or civil incarceration to coerce Codding to comply with the Court's orders.
- 6. If payment pursuant to paragraphs 4-5 is not timely made by June 15, 2023, or if there is a material default in this Stipulation, Codding agrees that Trustee may lodge a judgment to aid in enforcement of any unpaid funds or unperformed obligation owed under this Stipulation, under terms consistent with this Stipulation.
- 7. Of the funds paid to the Estate, \$40,000 shall be allocated to payment of Trustee's attorneys' fees for the prosecution of the contempt proceeding, and no lien of any kind shall attach to such portion of the funds, including the liens of FCW. The remainder of the funds paid under this Stipulation shall be allocated to grape sale proceeds which are currently held in a segregated account by Trustee. All funds shall be held by Trustee pending further order of the Court.
- 8. Unless otherwise ordered by the Court, the Parties shall appear in person on June 15, 2023, at 11:00 a.m., for a continued hearing on the OSC and to advise the Court regarding the status of the obligations under this Stipulation. Trustee shall not be required to attend in person unless ordered by the Court, but may appear through counsel.
- 9. The Parties consent to the entry of an order approving this Stipulation in substantially the form of the order attached hereto as Exhibit "1."

1 10. This Stipulation contains the entire agreement of the Parties. In the event of any inconsistency between an order of the Court and this Stipulation, the Court's order shall control. 3 Time is of the essence for the terms of this Stipulation. 4 11. Prior to signing this Stipulation, Codding represents that he has read every provision of this Stipulation and been given an opportunity to review, revise, and modify any portion of this Stipulation with which he has a dispute. Prior to signing this Stipulation, Codding has been informed of his right to seek the advice of independent counsel and has been provided an opportunity to seek the advice of counsel. 8 9 12. This Stipulation may be executed in one or more counterparts and facsimile or electronic signatures may be used in filing this document with the Court. 11 Dated: May 12, 2023 12 RICHARD A. MARSHACK 13 Chapter 7 Trustee Dated: May 12, 2023 14 15 By: 16 individually 17 Dated: May 12, 2023 18 By: LÉRÓY E. CODDING. IV 19 Managing Member for FLUID WINE FUND I, LLC 20 Dated: May 12 , 2023 21 By: 22 LERØY E. CODDING. IV Chief Executive Officer for 23 RABBIT RIDGE WINE SALES, INC. Presented by: MARSHACK HAYS LLP 24 Dated: May 12, 2023 By: /s/ Tinho Mang 25 D. EDWARD HAYS 26 TINHO MANG Attorneys for Chapter 7 Trustee 27 RICHARD A. MARSHACK

Case 8:20-bk-13014-SC Doc 394 Filed 05/12/23 Entered 05/12/23 19:47:45 Desc Main Document Page 8 of 13

EXHIBIT "1"

ĺ	Main Document	Page 9 01 13		
1 2 3 4 5	D. EDWARD HAYS, #162507 ehays@marshackhays.com TINHO MANG, #322146 tmang@marshackhays.com MARSHACK HAYS LLP 870 Roosevelt Avenue Irvine, California 92620 Telephone: (949) 333-7777 Facsimile: (949) 333-7778			
6	Attorneys for Chapter 7 Trustee RICHARD A. MARSHACK			
7	UNITED STATES BANKRUPTCY COURT			
8	CENTRAL DISTRICT OF CALIFORNIA – SANTA ANA DIVISION			
9	In re	Case No. 8:20-bk-13014-SC		
11	NORTHERN HOLDING, LLC,	Chapter 7		
12	Debtor.	ORDER APPROVING STIPULATION		
13		BETWEEN CHAPTER 7 TRUSTEE AND LEROY E. CODDING, IV RE: CONSENT TO		
14		ADJUDICATION OF CIVIL CONTEMPT AND REIMBURSEMENT TO ESTATE		
15		Continued Hearing on OSC:		
1617		Date: June 15, 2023 Time: 11:00 a.m.		
18		Ctrm: 5C – IN PERSON		
19		Address: 411 W. Fourth Street, Santa Ana, CA 92701		
20	On May 11, 2023, the Court conducted an in	n-person evidentiary hearing on the matter of the		
21	Order to Show Cause entered on October 26, 2022,			
22	Marshack Hays LLP appeared on behalf of the Chap	oter 7 Trustee and moving party, Richard A.		
2324	Marshack ("Trustee"), who was also present. Respo	ndent Leroy E. Codding, IV ("Respondent")		
25	appeared in pro per. Respondent presented an oral motion for an emergency continuance of the			
26	hearing, which was denied. The Court heard opening statements of the parties and witnesses were			
27	called and examined by Trustee. At the conclusion of the day's proceedings, the Court indicated that it was inclined to continue the matter for further testimonial evidence. Prior to the hearing being			
28	adjourned, Trustee and Respondent stated terms in principle for an agreement to resolve the OSC.			
	ORDER APPROVING STIPULAT			
	ORDER APPROVING STIPULAT	ION RE: CIVIL CONTEMPT		

ORDER APPROVING STIPULATION RE: CIVIL CONTEMPT

PROOF OF SERVICE OF DOCUMENT

I am over the age of 18 and not a party to this bankruptcy case or adversary proceeding. My business address is: 870 Roosevelt, Irvine, CA 92620

A true and correct copy of the foregoing document entitled: STIPULATION BETWEEN CHAPTER 7 TRUSTEE AND LEROY E. CODDING, IV RE: CONSENT TO ADJUDICATION OF CIVIL CONTEMPT AND REIMBURSEMENT TO ESTATE will be served or was served (a) on the judge in chambers in the form and manner required by LBR 5005-2(d); and (b) in the manner stated below:

- 1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): Pursuant to controlling General Orders and LBR, the foregoing document will be served by the court via NEF and hyperlink to the document. On <u>May 12</u>, <u>2023</u>, I checked the CM/ECF docket for this bankruptcy case or adversary proceeding and determined that the following persons are on the Electronic Mail Notice List to receive NEF transmission at the email addresses stated below:
- Service information continued on attached page 2. <u>SERVED BY UNITED STATES MAIL</u>: On <u>May 12, 2023</u>, I served the following persons and/or entities at the last known addresses in this bankruptcy case or adversary proceeding by placing a true and correct copy thereof in a sealed envelope in the United States mail, first class, postage prepaid, and addressed as follows. Listing the judge here constitutes a declaration that mailing to the judge will be completed no later than 24 hours after the document is filed.

DEBTOR
NORTHERN HOLDING, LLC
ATTN: OFFICER, A MANAGING OR GENERAL
AGENT, OR TO ANY OTHER AGENT
AUTHORIZED BY APPOINTMENT OR LAW TO
RECEIVE SERVICE
13217 JAMBOREE RD #429
TUSTIN, CA 92782

INTERESTED PARTY LEE CODDING 13217 JAMBOREE ROAD, #429 TUSTIN, CA 92782 SECURED CREDITOR / PROOF
OF CLAIM 4-1 ADDRESS
FARM CREDIT WEST, FCLA
FRANDZEL ROBINS BLOOM &
CSATO, L.C.
ATTENTION: MICHAEL GOMEZ
1000 WILSHIRE BOULEVARD,
19TH FLOOR
LOS ANGELES. CA 90017

SECURED CREDITOR / PROOF OF CLAIM 4-1 ADDRESS
FARM CREDIT WEST, FCLA
ATTENTION: KEVIN E. RALPH
3755 ATHERTON DRIVE
ROCKLIN, CA 95765

SECURED CREDITOR
FARM CREDIT WEST
ATTN: OFFICER, A
MANAGING OR GENERAL
AGENT, OR TO ANY OTHER
AGENT AUTHORIZED BY
APPOINTMENT OR LAW TO
RECEIVE SERVICE
3755 ATHERTON RD
11707 FAIR OAKS BLVD
ROCKLIN, CA 95765

Service information continued on attached page

3. SERVED BY PERSONAL DELIVERY, OVERNIGHT MAIL, FACSIMILE TRANSMISSION OR EMAIL: Pursuant to

F.R.Civ.P. 5 and/or controlling LBR, on May 12, 2023, I served the following persons and/or entities by personal delivery, overnight mail service, or (for those who consented in writing to such service method), by facsimile transmission and/or email as follows. Listing the judge here constitutes a declaration that personal delivery on, or overnight mail to, the judge will be completed no later than 24 hours after the document is filed.

VIA PERSONAL DELIVERY:
PRESIDING JUDGE'S COPY
HONORABLE SCOTT C. CLARKSON
US BANKRUPTCY COURT
411 WEST FOURTH STREET, SUITE 5-097
SANTA ANA, CA 92701-4593

I declare under penalty of perjury under the laws of

Cynthia Bastida

Printed Name

☐ Se	rvice information continued on attached page			
the United States that the foregoing is true and correct.				
	/s/ Cynthia Bastida			
_	Signature			

This form is mandatory. It has been approved for use by the United States Bankruptcy Court for the Central District of California.

Date

May 12, 2023

1. TO BE SERVED BY THE COURT VIA NOTICE OF ELECTRONIC FILING (NEF): CONTINUED:

- William H Brownstein Brownsteinlaw.bill@gmail.com
- ATTORNEY FOR INTERESTED PARTY LEE CODDING: Robert P Goe kmurphy@goeforlaw.com, rgoe@goeforlaw.com;goeforecf@gmail.com
- Nancy S Goldenberg nancy.goldenberg@usdoj.gov
- Michael J Gomez mgomez@frandzel.com, dmoore@frandzel.com
- D Edward Hays ehays@marshackhays.com, ehays@ecf.courtdrive.com;kfrederick@ecf.courtdrive.com;cmendoza@marshackhays.com;cmendoza@ecf.courtdrive.com
- Kari L Ley Ley1238@att.net
- **Tinho Mang** tmang@marshackhays.com, tmang@ecf.courtdrive.com;kfrederick@ecf.courtdrive.com;cmendoza@ecf.courtdrive.com
- Richard A Marshack (TR) pkraus@marshackhays.com, rmarshack@iq7technology.com;ecf.alert+Marshack@titlexi.com
- Elissa Miller elissa.miller@gmlaw.com, emillersk@ecf.courtdrive.com;cheryl.caldwell@gmlaw.com
- Roksana D. Moradi-Brovia Roksana@rhmfirm.com, matt@rhmfirm.com;rosario@rhmfirm.com;sloan@rhmfirm.com;priscilla@rhmfirm.com;rebeca@rhmfirm.com;david@rhmfirm.com;susie@rhmfirm.com;max@rhmfirm.com;russ@rhmfirm.com
- Paul F Ready becky@farmerandready.com
- Matthew D. Resnik Matt@rhmfirm.com, roksana@rhmfirm.com;rosario@rhmfirm.com;sloan@rhmfirm.com;priscilla@rhmfirm.com;rebeca@rhmfirm.com;d avid@rhmfirm.com;susie@rhmfirm.com;max@rhmfirm.com;russ@rhmfirm.com
- Victor A Sahn victor.sahn@gmlaw.com, vsahn@ecf.courtdrive.com;pdillamar@ecf.courtdrive.com;patricia.dillamar@gmlaw.com,Karen.Files@gmlaw.com
- Kristine A Thagard kthagard@marshackhays.com, kthagard@ecf.courtdrive.com;kfrederick@ecf.courtdrive.com
- United States Trustee (SA) ustpregion16.sa.ecf@usdoj.gov
- Reed S Waddell rwaddell@frandzel.com, sking@frandzel.com
- Gerrick Warrington gwarrington@frandzel.com, achase@frandzel.com
- David Wood dwood@marshackhays.com, dwood@ecf.courtdrive.com;lbuchananmh@ecf.courtdrive.com;kfrederick@ecf.courtdrive.com

4870-6853-1548